

October 27, 2004

Ms. Jean Gray
Assistant Regional Manager for Power Marketing
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, Arizona 85005-6457

Dear Ms. Gray:

The City of Mesa wants to reiterate our appreciation to Western for providing an opportunity to submit comments on proposed language for a new contract provision, Section 12, in the Contract Extension Amendment for our Parker-Davis Firm Electric Service Contracts. As you know, the Parker-Davis resource is one of Mesa's most important resources, and it is critically important, therefore, that we develop mutually beneficial language to extend this agreement.

As we stated in our letter to Mr. Hacskaylo dated October 18, 2004, our preference is to not include Section 12 in our Amendment. The Parker-Davis and other federal power contracts have been successfully marketed under the preference laws for decades without the dispute resolution envisioned in Section 12. We recognize, however, the concerns expressed by Western related to past preference power allocation issues.

The proposed language, even with the changes Western has made to date, continues to be unnecessarily broad and creates uncertainty with respect to the level of firmness of our Parker-Davis resource. Further, several customers have indicated their belief that the authority proposed to be provided to the Administrator in Section 12 exceeds the Administrator's current legal authority. We would suggest that the question of legal authority be addressed and reconciled with the proposed language or any new proposed language. We remain willing to work with Western to develop mutually acceptable language.

Again, we thank you for your efforts to solicit input from customers. We encourage Western to convene another meeting once you have reviewed all comments and are prepared to further discuss concerns with Section 12.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Plumb", with a stylized flourish at the end.

David C. Plumb
Utilities Manager

DCP:FM:dm
dp0507

cc: Tyler Carlson
Mike Hacskaylo
FES contractors (via email)